

Part 5 Loan Application Requirements (7 CFR 762.110)**69 Application Requirements for SEL's and CLP Lenders (7 CFR 762.110)**

A**General
Application
Requirements**

SEL's and CLP lenders must perform at least the same level of evaluation and documentation for guaranteed loans as for nonguaranteed loans of a similar type and amount.

Good communication will minimize problems and help ensure a rapid review of applications. FSA will communicate with lenders throughout the application preparation and submission process. Lenders are encouraged to:

- ☐ contact FSA for assistance with the application
- ☐ address any issues or deficiencies before they become problems.

Lenders may use FSA-1980-01, Lender's Processing Checklist, as an application processing checklist.

B**Maintaining
Complete Loan
File**

All lenders must compile and maintain in their files a complete application for each guaranteed loan. CLP lenders must certify that the required items, not submitted, are in their files.

--The lender's file must contain the applicable items in paragraphs 69.5 and 69.6 and all correspondence with the borrower regarding servicing actions and-- other loan-related documentation generated after loan approval.

The Agency may request additional information from any lender or review the lender's loan file as needed to make eligibility and approval decisions.

***--69.5 Requirements for Loans of \$50,000 or Less**

A**Application
Package--***

A complete application for loans of \$50,000 or less from SEL and CLP lenders must, at least, consist of:

- C the application form** (see subparagraph B)
- C loan narrative** (see subparagraph C)
- C balance sheet** (see subparagraph D)
- C*--cash flow budget** (see subparagraph E)
- C description of farmed land** (see subparagraph F)
- C credit report** (see subparagraph G)
- C environmental information** (if needed see subparagraph H)
- C information related to entity applicants** (if needed see subparagraph I).--*

In addition to the minimum requirements, the lender will perform at least the same level of evaluation and documentation for a guaranteed loan that the lender typically performs for non-guaranteed loans of a similar type and amount.

The \$50,000 threshold includes any single loan, or package of loans submitted for consideration at any one time. A lender must not split a loan into two or more parts to meet the threshold thereby avoiding additional documentation.

Note: An application requesting guarantees of multiple loans of different types (FO, OL, LOC), each of which is less than \$50,000, will be processed under the requirements of this paragraph.

The Agency may require lenders with a lender loss rate in excess of 7 percent *--to assemble additional documentation from paragraph 69.6.

Paragraph 69.7 describes which items must be submitted to FSA. On an --* individual lender basis, FSA may request additional information to make eligibility and approval decisions.

B**Application Form**

Lenders may use FSA-1980-25 or their own loan application form if it contains the same information. If a lender uses its own application form, the lender must attach an executed FSA-1980-25 containing the loan applicant's name and address and any information not on the lender's form.

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***--69.5 Requirements for Loans of \$50,000 or Less (Continued)**

C**Loan --*
Narrative**

The application package must include a narrative description of the lender's underwriting of the loan. The narrative must contain information and analysis of any loan application data that are out of the ordinary, or at variance with normal practices for the type of operation and region. The narrative must be an evaluation and not just a summary of the data. It may be less detailed for a present customer who already has a guaranteed loan or an FSA direct loan.

The narrative should address the following, as applicable:

- Ⓒ describe the farming operation, such as types of enterprises, key personnel and management structure, their roles and background, proposed changes to the operation and adequacy of real estate, equipment, and other facilities
 - Ⓒ an assessment of the adequacy of the collateral being offered to secure the proposed loan
 - Ⓒ a discussion of the loan applicant's financial condition and projected repayment ability
- Note:** The lender should discuss any significant assumptions or deviations from historical performance in the proposed cash flow budget.
- Ⓒ the short-term and long-term business goals of the operation
 - Ⓒ the borrower's reporting requirements, limitations, and other conditions based on the lender's analysis of the proposal
 - Ⓒ lender servicing plan describing the borrower's financial reporting requirements, limitations and conditions, plans for visiting the borrower, and any other borrower supervision
 - Ⓒ if the loan contains balloon payments, the conditions related to the renewal of loan
 - Ⓒ a discussion of how the loan applicant meets the loan eligibility requirements.
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D**Balance Sheet**

The application package must contain a balance sheet for the loan applicant that was prepared within 90 calendar days of the application submission.

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***--69.5 Requirements for Loans of \$50,000 or Less (Continued)**

E**Cash Flow
Budget**

The lender should submit a cash flow budget as described in Exhibit 2. If significant changes are expected in the operation during the life of the loan, more than 1 cash flow budget may need to be developed.--*

F**Description of
Farmed Land**

A description of the location of each tract of land to be farmed by the loan applicant should be provided. This may be by FSA farm number, legal description, plat map, or other identifying method. This may be included as part of the loan narrative.

G**Credit Report**

A credit report on the loan applicant's credit history must be provided. In addition, lenders should consider any other pertinent information concerning the loan applicant's credit history.

H**Environmental
Information**

Borrowers are required to have a current AD-1026, Highly Erodible Land Conservation and Wetland Conservation Certification, on file with FSA. Lenders should remind borrowers that AD-1026 must be executed with FSA if one is not already on file.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the loan processing timeframe does not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA's responsibility to conduct. However, the information to complete this review is part of a complete application.

I**Additional
Requirements
for Entity
Applicants**

--In addition to the information required in this paragraph and paragraph 69.6,-- entity applicants must submit additional information for each entity member. The application must contain the following information about each entity member:

- C name
 - C address
 - C Social Security number
 - C percent ownership interest in the entity
 - C current balance sheet.
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***--69.6 Requirements for Loans Over \$50,000**

A**Application
Package**

A complete application package for a guaranteed loan over \$50,000 will consist of the items in paragraph 69.5, plus subparagraphs B through G.

Note: Paragraph 69.7 describes which items must be submitted to FSA.--*

B**Verification of
Income**

Nonfarm and “other farm” income should be documented using FSA forms or documentation the lender uses for its nonguaranteed loans.

C**Verification of
Debts Over
\$1,000**

Verification can be documented using FSA forms or documentation the lender uses for its nonguaranteed loans.

D**Financial History**

The financial history should support cash flow projections and include 3 years of income and expenses and 3 years of balance sheets.

E**Production
History**

*--The application should include **3 years of production history** (SEL only).--*

F**Proposed Loan
Agreements**

Any proposed nontypical agreements between the lender and the borrower should be explained in the narrative.

G**Development
Plans**

If construction or development is planned, a copy of the plans, a copy of the specifications, and a development schedule is needed.

--69.7 Submission Requirements for SEL's and CLP Lenders--**A****Submission Requirements**

The following table summarizes the submission requirements for SEL's and CLP lenders. In addition to the items submitted to FSA, lenders are expected to maintain in their files all applicable items that do not need to be submitted. Lenders certify that they have the required documentation in their files by signing FSA-1980-25.

Submission Requirement	For Loans \$50,000 or Less		For Loans More Than \$50,000	
	SEL	CLP Lender	SEL	CLP Lender
Application Form	U	U	U	U
--Loan Narrative--	U	U	U	U
* * * Balance Sheet	U	U	U	U
Cash Flow Budget	U	U	U	U
* * * Description of Farmed Land	U	U	U	U
Entity Information (if applicable)	U	U	U	U
Credit Report	U	F	U	F
Environmental Information (if applicable)	U	U	U	U
* * *	* * *	* * *	* * *	* * *
Proposed Loan Agreement			U	F
Verification of Debts Over \$1,000			U	F
Verification of Nonfarm Income			U	F
3 Years of Production History			U	N/A
3 Years of Financial History			U	F
--Development Plans (if applicable)--			U	F

Note: Items marked with an "F" are items that do not have to be submitted, but must be maintained in the lender's file.

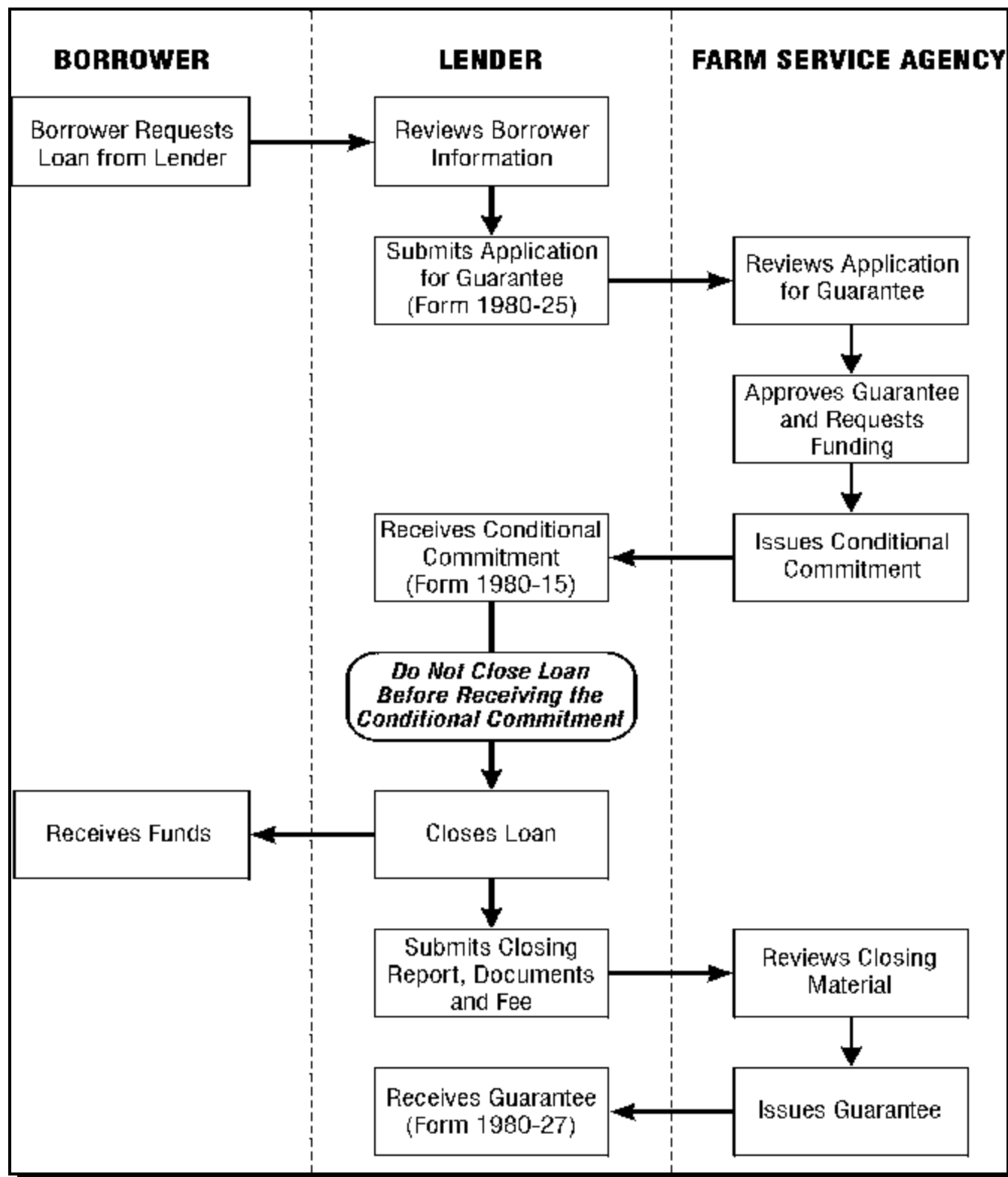
If the lender is requesting interest assistance, the following must be submitted:

- C a proposed debt repayment schedule
- C a monthly cash flow budget for LOC's.

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B

Loan Processing Flow Chart Following is the loan processing flow chart.



70 Application Requirements for PLP Lenders (7 CFR 762.110)

A**Application Requirements**

A complete application for PLP lenders will consist of:

- C FSA-1980-28**
- C a loan narrative**
- C any other items agreed to during the approval of the PLP lender's status and contained in the PLP lender agreement.**

PLP lenders must certify that the required items, not submitted, are in their files. On a case-by-case basis, **the Agency may request additional information from any lender or review the lender's files as needed to make eligibility and approval decisions**. These requests will be made only in situations when, because of the unique characteristics of the loan request, an eligibility or approval decision cannot be made without additional information.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the 14-calendar-day timeframe does not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA's responsibility to conduct. However, the information to complete this review is part of a complete application.

B**Narrative**

FSA expects PLP lenders to include a discussion of the 5 "C's" of credit; that is, character, capacity, capital, conditions, and collateral; in the narrative. The narrative prepared by PLP lenders should contain applicable information similar to *-- subparagraph 69.5 C.--*

For many PLP lenders, the narrative will often contain the same information submitted to the lender's loan committee. Since FSA will rely on the narrative and application form for making the loan approval decision, it is important that the narrative cover any issues or questions that may arise during the evaluation process.

71 Application Requirements for Subsequent Operating Loans

A

Application Requirements

Subsequent Operating Loans within the same operating cycle do not require the *--complete application submission in paragraphs 69, 69.5, 69.6, 69.7, and 70.--* Only those items that have changed from the original application must be submitted, such as the cash flow projection.

72 Market Placement Program (7 CFR 1910.4(c))

A

Purpose

The Market Placement Program is designed to assist qualified existing direct loan borrowers and new direct loan applicants in obtaining a guaranteed farm loan from a commercial lender.

B

Lender Participation

Each County Office shall identify lenders who are interested in participating in the Market Placement Program. Lenders should advise FSA of their interest.

C

FSA Preparation of Loan Application

--If the loan assessment completed in accordance with the direct loan application concludes that guaranteed assistance may be available, FSA will send the information in the loan application to area lenders.--

In the Market Placement Program, direct loan applications are processed under the standard direct loan procedures. * * * If the loan applicant is eligible and may qualify to receive a guaranteed loan, FSA shall present the completed guaranteed loan application to 1 or more lenders, selected by the loan applicant, who have expressed an interest in the Market Placement Program. The lenders are informed that FSA will guarantee a loan when an application package is presented to them.

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72 Market Placement Program (7 CFR 1910.4(c)) (Continued)

C**FSA Preparation
of Loan
Application
(Continued)**

The package FSA will provide to lenders will include the following:

- C FSA-1980-25
- C a farm plan
- C a narrative
- C a suggested plan for servicing
- C an appraisal.

If more than 1 lender is interested in the guaranteed loan, the loan applicant shall select 1 of the lenders. The lender must prepare the loan or LOC agreement. SEL's must submit the loan or LOC agreement to FSA before FSA issues a Conditional Commitment. The Conditional Commitment shall be issued upon the lender's acceptance of the loan application and confirmation that funds are available.

73-82 (Reserved)